

20 August 1951

CONTRIBUTION TO STAFF PLANNING PROJECT NO. 26.

TO: 
FROM:  25X1A9a
SUBJECT: The Indian Economy.

While economic deterioration in India is bound to continue during the next two years, it most probably will have little bearing on the stability of the government in this period. Only if there is war with Pakistan is there danger of this deterioration becoming acute. It is possible that such a war would be extended over many months, during which time there would be disruption to the economy in a variety of forms. The transportation system, always a problem, would be severely taxed; in effect the economic development program would be halted; inflation could become serious. During the aftermath of the war, the effect of these and other adverse factors might be great enough to force a change to a less desirable (from U.S. standpoint) government.